

# **RATE REVIEW AND ADVISORY BOARD**

Wednesday, April 8, 2015 – 9:00 am  
Board of Supervisor's Executive Conference Room  
1415 Melody Lane, Bisbee AZ

## **Executive Summary**

**Meeting Called to Order by Chuck Potucek at 9:15 am.**

### **Roll Call**

Mike Ortega, County Administrator  
Jim Vlahovich, Deputy County Administrator  
Lauri Owen, Cochise County Attorney  
Bill Stephens, City Mgr., Benson  
Brad Hamilton, Public Works Director, Benson  
Paul Muncada, City of Benson Police Dept.  
Jestin Johnson, City Mgr., Bisbee  
Andy Haratyk, Operations Mgr., Bisbee  
Sharon Bueno, Finance Dept., Bisbee  
Carlos De La Torre, City Mgr., Douglas  
Chuck Potucek, City Mgr., Sierra Vista, RRAB Chairman  
Mary Jacobs, Assistant City Mgr., Sierra Vista  
Ted Soltis, City Mgr., Willcox  
Mike McGinnis, Budget Mgr., Finance Dept., Cochise Co.  
Nike Noack, Financial Services Mgr., Cochise Co.  
Ruben Miranda, Director of Fleet, Cochise Co.  
David Horne, Director, Solid Waste Dept., Cochise Co.  
Steve Jones, Finance Mgr., Solid Waste Dept., Cochise Co.  
Rich Mead, Operations Supervisor, Solid Waste Dept., Cochise Co.

## Reports

- 1. Proposal of Options for Solid Waste Inter-Governmental Agreement (David Horne, Director of SWD; Lauri Owen, County Attorney and Nike Noack, Finance Dept., Cochise Co.)** David Horne refers to a memo from March 31<sup>st</sup> which discusses options for a new fee agreement for the Solid Waste Department and turns the floor over to Lauri Owen (co-author of the document). Lauri details the five options, which are being proposed to help identify a solution to managing the Solid Waste program's cost, which is rising faster than the monies taken in. Nike Noack explains the financial implications of each option.

Back 20 years ago the basis for the agreement was that we could soften the cost if we consolidated it. Some of these options go away from that. If we have a catastrophic event and we don't have something in our back pocket, then how do we take care of that? Do we fractionalize the system and allocate a cost amount for each city? If we break it up it is harder to move staff around. It would be smoother if we recapitalize over the whole system. Another thing we could talk about is that when we go to the Board with the proposal for a 5% increase they could choose to raise it to \$60.50 for this Fiscal Year, rather than do it in two stages, since the operation at \$57.75 is still in the red.

It is suggested that we talk about concerns with Huachuca City and how they operate. David Horne states that two inspectors came to WRL a couple of weeks ago and he spoke about it with them. Huachuca City landfill does not have a liner under their trash. They were "grandfathered in" going back and are not held to the same standards going forward. If we haul trash to them we will inherit that historical liability.

There is discussion about the idea that the County should not be in the recycling business and that the cities should handle it. It is a competitive business and "trash" and "recycling" are two separate things. Recycling should be an entirely separate business. There is mention of problems with trash being mixed in, making "dirty recycling" and David Horne offers that the company we deal with is happy with our recycling.

It is brought to attention that the advantage to DOC workers is that we can move them around. If there were to be a split, then Sierra Vista should still be able to use their labor. It is suggested that if Sierra Vista becomes separate then we should all do it. Each Transfer Station would establish a tipping fee.

Chuck Potucek wants an analysis to see what the cost would be to each city to run their Transfer Station.

It is asked that Lauri Owen and David Horne look at what Huachuca City is doing that is not "above board" and write something up to address it.

We are trying to hone in on something that will be a value for everyone. We will continue to run numbers. We are still going to the Board on April 28<sup>th</sup> with the proposed \$2.75 increase.

Sierra Vista will work with staff to determine the costs associated with running the station. It is decided that we will break out the cost to all the stations. It is not going to happen this Fiscal Year but we need to get the ball rolling.

Mary Jacobs asks for a "timeline" or a "place holder" so she can put something in their Refuse budget (for SV) for next year.

David Horne talks about Ruben Miranda's inspections of the stations and the failing parts. A new "walking floor" is half a million dollars. If Sierra Vista breaks down we will have to figure out how to reconfigure the Landfill to deal with the diversion of waste, with a large loss in revenue.

## **Action Items**

- 1. Approve meeting minutes from March 18, 2015. (Chuck Potucek, Chairman)**

Chuck Potucek calls for a motion and Carlos De La Torre moves. Jestin Johnson seconds. All say aye.



**COCHISE COUNTY  
ATTORNEY'S OFFICE  
Civil Division**

*Public Programs...Personal Service*  
[www.cochise.az.gov](http://www.cochise.az.gov)

**BRIAN M. McINTYRE**  
COCHISE COUNTY ATTORNEY

## Interoffice Memorandum

**To:** Coalition of Cochise County Mayors and City Managers,  
via County Administrator Michael Ortega

**From:** Lauri J. Owen, Civil Deputy County Attorney, and  
Nike Noack, Financial Services Manager

**Date:** March 31, 2015

**Subject:** Solid Waste Rate Increase Proposals

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### SUMMARY OF ISSUES

The cost of managing Cochise County's solid waste program continues to rise faster than the monies taken in, and a solution needs to be immediately identified and undertaken.

In 1992, a coalition of Cochise County cities entered into an intergovernmental agreement in which they decided to pool resources, equally and jointly, to maintain a solid waste disposal program that benefitted the entire county. The agreement has been amended four times, and is set to expire in 2017.

Unfortunately, in order to keep costs at a minimum, the collected funds never quite covered even the bare cost of running the system. No funds whatsoever were collected and allocated above the base costs' amount to replace equipment, or to meet any other costs. Now, 27 years later, equipment is on the verge of failing, and technology has moved beyond that employed in the initial setup of the system, including the transfer stations, to a point where repair of any major issues, such as the ones facing the Sierra Vista and Douglas transfer stations, has become a more expensive prospect than full-scale replacement, at least in the five-to-ten-year-plus view.

Since the agreement's inception, the County's general fund has subsidized the solid waste effort. Unfortunately, that is no longer feasible, and a new fee agreement must be reached.

This memorandum proposes consideration of five possibilities, but recommends that option one or option two be chosen, as they appear to be the most fair and sustainable to all participants.

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## PROPOSAL ONE: BASE CONTRIBUTION PLUS INDIVIDUALIZED PERCENTAGE BY WASTE CONTRIBUTION

**Description:** Each municipality pays a base tipping fee plus an additional fee based on the city's individualized percentage of waste contribution. For instance, Sierra Vista, as the highest sold waste contributor, would pay the highest fee, and the cities with the smallest contribution would pay a smaller tariff.

Pros	Cons
<ul style="list-style-type: none"> <li>• Lower cost for smaller municipalities;</li> <li>• Reduces "sticker shock";</li> <li>• Allows cities to exercise some control over their costs by implementing increased efficiency measures;</li> <li>• Simple calculation allows increased predictability for budgeting.</li> </ul>	<ul style="list-style-type: none"> <li>• More costly for larger cities.</li> </ul>

### Generalized Cost Analysis:

Base Rate of \$57.75 per municipality

Calculated for Break-Even Rates to include Equipment replacement and TS replacement

Municipality	Pro-Rated Additional Rate
Benson	\$61.59
Bisbee	\$63.72
Douglas	\$64.79
Sierra Vista	\$68.72
Willcox	\$60.63

## PROPOSAL TWO: BASE CONTRIBUTION PLUS INDIVIDUALIZED SET-ASIDE TO FUND TRANSFER STATION

**Description:** Each municipality pays a base tipping fee plus an additional fee based on the estimated costs of maintaining the city's transfer station, including equipment and technology replacement costs.

Pros	Cons
<ul style="list-style-type: none"> <li>• Lower cost for larger municipalities;</li> <li>• Reduces "sticker shock"; and</li> <li>• Simple calculation allows increased</li> </ul>	<ul style="list-style-type: none"> <li>• More costly for smaller municipalities (less tonnage, less cost distribution)</li> </ul>

<p>predictability for budgeting.</p> <ul style="list-style-type: none"> <li>Allows cities to exercise some control over their costs by implementing increased efficiency measures;</li> </ul>	
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### Generalized Cost Analysis:

Break even rate: \$61.84/ton

Municipality	Cost of System Replacement	Total Tipping Fee
Benson	\$0.75/ton	\$62.59
Bisbee	\$1.08/ton	\$62.92
Douglas	\$0.41/ton	\$62.25
Sierra Vista	\$3.76/ton	\$65.60
Willcox	\$0.81/ton	\$62.65

Assumed 20 year useful life for the Walking Floor stations (no consideration given for current age of system to recoup funding)  
Assumed financing over 10 years for Open Top Conversion (Sierra Vista)

## PROPOSAL THREE: RAISE FEES TO SUSTAINABLE LEVEL BUT RETAIN CURRENT IGA STRUCTURE

**Description:** Each municipality pays the same total tipping fee under an extension of the terms contained in the initial agreement reached in 1992, as amended.

Pros	Cons
<ul style="list-style-type: none"> <li>Simple calculation allows predictability for budgeting.</li> </ul>	<ul style="list-style-type: none"> <li>Unfair because larger communities subsidize the smaller cities;</li> <li>Difficult to implement the necessary rate increases due to staggering cost to participants;</li> <li>County is unable to continue to subsidize the program, so tipping fees must rise quickly;</li> <li>Even with steep rises, because tipping fee cannot rise fast enough to cover costs, equipment and other catastrophic failure becomes imminent; and</li> <li>Large "sticker shock."</li> </ul>

### Generalized Cost Analysis:

Municipality	Cost of System Replacement	Break Even Tipping Fee
Benson	\$57.75/ton	\$65.43/ton
Bisbee	\$57.75/ton	\$65.43/ton
Douglas	\$57.75/ton	\$65.43/ton
Sierra Vista	\$57.75/ton	\$65.43/ton
Willcox	\$57.75/ton	\$65.43/ton

### PROPOSAL FOUR: BASE CONTRIBUTION AND TRANSFER CONTROL AND COSTS OF TRANSFER STATIONS TO THEIR RESPECTIVE CITIES

#### Description:

Pros	Cons
<ul style="list-style-type: none"><li>• Best for larger cities; and</li><li>• Simple calculation allows predictability for budgeting.</li><li>• Allows cities to exercise some control over their costs by implementing increased efficiency measures;</li></ul>	<ul style="list-style-type: none"><li>• Unfair because smaller communities subsidize the larger cities;</li><li>• County is unable to continue to subsidize the program, so tipping fees must rise quickly;</li><li>• Difficult to implement the necessary rate increases due to staggering cost to participant municipalities;</li><li>• Even with steep rises, because tipping fee cannot rise fast enough to cover costs, equipment and other catastrophic failure becomes imminent; and</li><li>• Large “sticker shock.”</li></ul>

### Generalized Cost Analysis:

Base Tipping fee: \$47.00/ton to cover costs of landfill operations and trucking. Each municipality would cover the costs of their transfer station. Annual estimated cost to municipalities:

Municipality	Transfer Station Cost	Total Cost
Benson	\$30.86/ton	\$77.86/ton
Bisbee	\$44.58/ton	\$91.58/ton
Douglas	\$16.72/ton	\$63.72/ton
Sierra Vista	\$9.55/ton	\$56.55/ton
Willcox	\$33.43/ton	\$80.43/ton

## PROPOSAL FIVE: PRIVATIZE THE COUNTYWIDE SOLID WASTE SYSTEM

**Description:** Surrender the bulk of the solid waste program to a private vendor.

Pros	Cons
<ul style="list-style-type: none"><li>• Easiest for County administration.</li></ul>	<ul style="list-style-type: none"><li>• Unlike the County, private companies must earn a profit, so tipping fees are likely to immediately exceed \$90 or even \$100, a threefold increase over the current rate;</li><li>• Difficult to implement the necessary rate increases due to staggering cost to participant municipalities; and</li><li>• Largest “sticker shock.”</li></ul>

LJO/NN: